WEEKLY ECONOMIC REVIEW

February 2, 2007

Canadian real GDP rose by a below-consensus 0.2 per cent in November. A strong increase in manufacturing, primarily driven by motor vehicle sales (14 per cent), was the major source of growth. However, it was offset by declines in oil extraction (-2.9 per cent), exploration (-3.7 per cent) and utilities (-2 per cent). With no growth in October, the weak November number suggests that (even if the pace picks up in December) growth in the fourth quarter of 2006 is likely to come below the Bank of Canada's estimates of 1.5 per cent.

In contrast to the Canadian economy, U.S. real GDP grew at a better-than-expected 3.5 per cent annual rate in the fourth quarter of 2006, from the previous quarter. Strong performance is led by increases in consumption expenditures, exports and decreases in imports. In 2006, the U.S. economy advanced by 3.4 per cent.

With firmer economic growth, the Federal Reserve Board announced this week that it will keep its target for the federal funds rate at 5.25 per cent. The Fed indicated that inflation remains largely in check and the economy is likely to expand at a moderate pace over the coming quarters.

The U.S. non-farm employment rose by 111,000 in January, 2007. The unemployment rate increased marginally to 4.6 per cent.

Cdn Dollar (C¢/US$)

Feb	2, 2007	84.5¢
Jan	26, 2007	84.8¢
2006-07 YTD		88.3¢

WTI Oil SUS/bbl

Feb	1, 2007	$57.30
Jan	25, 2007	$54.23
2006-07 YTD		$66.08

Nymex Natural Gas CS/mcf *

February Contract

Feb	2, 2007	$8.88
Jan	26, 2007	$8.42

*Estimate based on Nymex Futures Market Price

The Conference Board Index of U.S. Consumer Confidence increased to 110.3 in January, the highest level since March 2002. However, the manufacturing sector continues to remain weak. The Institute of Supply Management's January index fell below 50, the lowest since April 2003. A reading below 50 indicates a contraction.

Oil prices climbed higher this week to over US$57 a barrel reflecting rising confidence in OPEC's plan to cut production, a drop in U.S. heating oil stockpiles and the strong U.S. economic growth.

Russia, which has the world's largest natural gas reserves, announced that it may consider forming a "GAS OPEC" cartel.

Economic Indicators Released this Week	Reference Period	Quarter/Previous Quarter (Q/Q)	Quarter/Previous Year's Quarter (Y/Y)	2006
U.S. Real GDP	4th Quarter			
(annualized, billions of 2000 dollars)	11,541.6	0.9%	3.5 %	3.4%
		Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Canadian Real GDP	November			
(annualized, millions of 1997 dollars)	1,092,497	0.2%	1.6%	n/a
Industrial Product Price Index (1997=100)	December			
Canada	115.2	1.4%	3.6%	2.3%
Raw Materials Price Index (1997=100)	December			
Canada	165.4	5.2%	11.7%	11.3%

Source: Statistics Canada

[1] *Year-to-date 2006 compared to the same time period in 2005. For example: January-November 2006 versus January-November 2005*